

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Maintain NEUTRAL


Expanding with A New Perai Warehouse

Unchanged Target Price: RM0.52

DEVELOPMENT

- Swift Integrated Logistics Sdn Bhd (SILS), a wholly owned subsidiary of Swift Haulage Berhad (Swift Haulage), has entered into a sale and purchase agreement (SPA) with Transocean Holdings Berhad for the acquisition of a property, totaling RM30.2m. The property includes a warehouse with an approximate gross floor area of 103,150 sq ft and a five-storey office block with an approximate gross floor area of 31,300 sq ft.

OUR VIEW

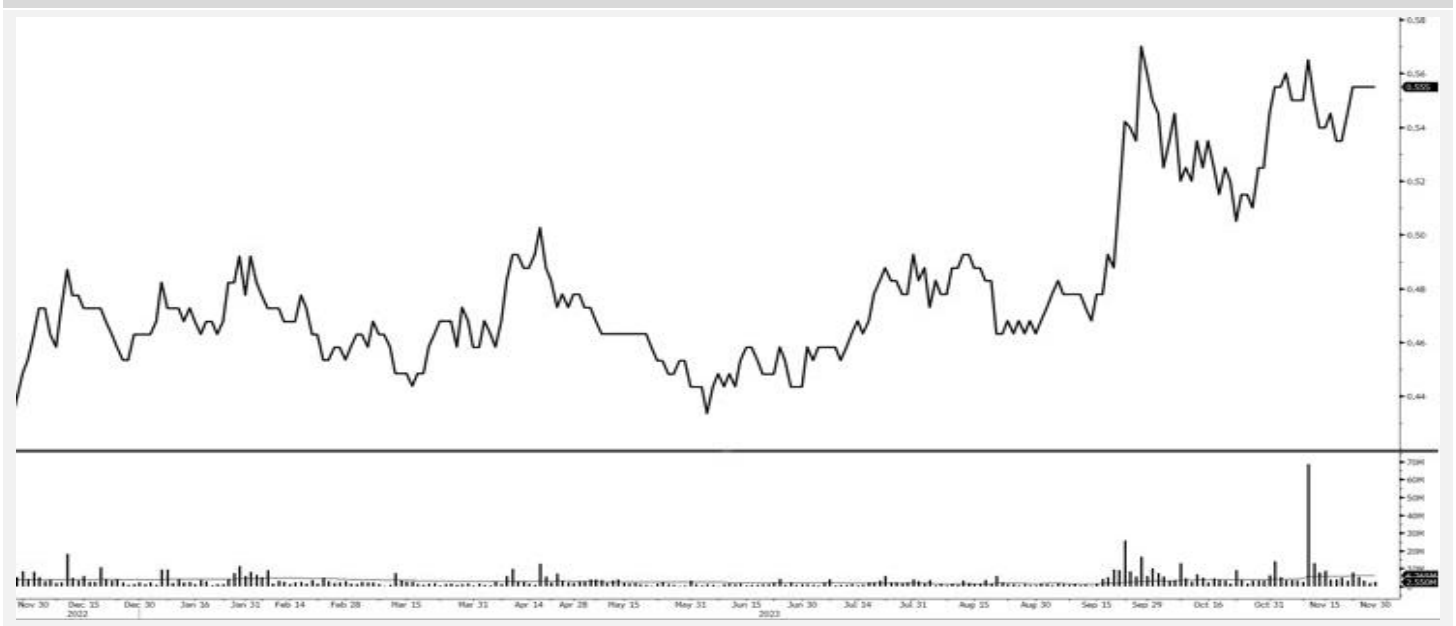
- The management guided this acquisition as part of their expansion strategy, aiming to add a total of +378,000 sq ft of warehouse capacity in FY24, including +118,000 sq ft from this Perai warehouse. This will bring the total portfolio capacity to 1,686,771 sq ft, with the acquisition set to be completed in 1QFY24. Meanwhile, the +260,000 sq ft Westport Warehouse, currently under construction, has an existing electrical and electronics (E&E) customer committed to utilising 70% of the space, with operations scheduled to begin in 1QFY24.
- Swift Haulage currently runs its Northern Region office operations on a neighboring property situated north of the targeted property. Acquiring the targeted property will expand its warehouse capacity, boosting revenue potential.
- Swift's average warehouse utilisation rate was 71% in 3QFY23. This reflects the impact of the two new warehouses in Tebrau and Port Klang Free Zone (PKFZ), yet to reach optimal utilisation. The Tebrau warehouse currently operates at 45% occupancy, but with a new energy drink customer joining in Oct-23, it is expected to increase to 70% by year-end. On the other hand, the occupancy of the PKFZ warehouse remains at 30% and may take some time to reach optimal capacity. Warehouses in the Northern Region reportedly operate at optimal utilisation. Historically, excluding the new warehouses, Swift Haulage's utilisation rate has consistently exceeded 95%, driven by high demand for warehouse space in prime areas, including Penang, Port Klang, and Shah Alam.
- Funding for the consideration will come from a bank facility, resulting in an anticipated increase in gearing from 0.96x to 1.0x. This aligns with the management's internal target (barring any major M&A activities), considering the company's asset-heavy nature.
- We have recently downgraded Swift Haulage from BUY to **NEUTRAL** due to the recent share price increase of +15.6% year-to-date. We have grown cautious due to concerns about the rising expansion costs impacting on margins. Moreover, the Group is not benefiting from the growth in throughput volume at Port Klang, which is mainly driven by recycled paper cargoes handled by in-house hauliers of the paper mill plants. Our TP remains unchanged at **RM0.52**, and the stock is trading at -1.0SD below the sector's 5-year historical mean. Key catalysts include (i) higher-than-expected gateway container throughput and (ii) improved margins due to economies of scale. 

INVESTMENT STATISTICS

Income Statement	2021A	2022A	2023E	2024F	2025F
Revenue	588.3	644.8	665.5	692.2	712.7
EBIT	80.2	89.6	69.9	87.0	91.1
PBT	53.8	63.3	37.5	54.6	58.7
PATAMI	47.1	50.5	28.5	41.5	44.6
Core PATAMI	48.2	49.0	28.5	41.5	44.6
EPS (sen)	5.5	5.6	3.2	4.7	5.1
PER (x)	10.2	10.1	17.3	11.9	11.1
DPS (sen)	n.a.	1.4	1.0	1.4	1.5
Dividend yield (%)	n.a.	2.5%	1.8%	2.5%	2.7%

Source: Swift Haulage, MIDFR

SHARE PRICE CHART



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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology